

WESTERN DEPARTMENT STORES

CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

REPORT to STOCKHOLDERS

January 31, 1950

Stores operated:

OLDS, WORTMAN & KING

Portland
Est. 1851

KAHN'S

Oakland
Est. 1879

RHODES BROTHERS

Tacoma
Est. 1892

WESTERN DEPARTMENT STORES

A California Corporation

Incorporated in 1937

BOARD OF DIRECTORS

HAROLD V. BOGGS

ELLIOTT McALLISTER

R. L. CHILDS

JOHN J. REILLY

HERBERT E. CLAYBURGH

JOHN J. REILLY, JR.

JOHN J. GOLDBERG

F. A. WICKETT

OFFICERS

JOHN J. REILLY *President*

HERBERT E. CLAYBURGH *Vice-President*

HAROLD V. BOGGS *Vice-President in Charge of Merchandising*

HARRY A. D. SMITH *Vice-President and Manager of Olds, Wortman & King*

CECIL L. MARTIN *Vice-President and Manager of Rhodes Brothers*

R. L. CHILDS *Secretary and Treasurer*

JOHN J. GOLDBERG *Assistant Secretary*

A. K. HUMBLE *Assistant Secretary*

J. B. MONNETTE *Assistant Secretary*

H. W. RHEUBOTTOM *Assistant Treasurer*

LEGAL COUNSEL

JESSE H. STEINHART

PUBLIC ACCOUNTANTS

PRICE, WATERHOUSE & Co.

TRANSFER AGENT

THE ANGLO CALIFORNIA NATIONAL BANK

OF SAN FRANCISCO

No. 1 Sansome Street

San Francisco 20, California

REGISTRAR

WELLS FARGO BANK & UNION

TRUST Co.

Montgomery and Market Streets

San Francisco, California

Annual Stockholders Meeting . . . Oakland, California, Tuesday, May 23, 1950, 11:00 o'clock A.M.

Executive Offices 1501 Broadway, Oakland, California (Kahn's Department Store)

OAKLAND 12, CALIFORNIA
May 1, 1950

To the Stockholders of
WESTERN DEPARTMENT STORES:

Submitted herewith are financial statements of your corporation for the fiscal year ending January 31, 1950, examined and reported upon by our independent auditors, Price, Waterhouse & Co. These statements reflect the operation by the corporation of its three department stores: Kahn's, Oakland, California; Olds, Wortman & King, Portland, Oregon; and Rhodes Brothers, Tacoma, Washington.

Sales for the year were \$29,510,115, compared with \$29,730,871 in the previous year. Net profit was \$1,343,613, equal to \$3.88 per share, compared with profit of \$1,408,595, equal to \$4.06 per share in the previous year. In the previous year sales and profit were adversely affected by a strike in the Tacoma Store.

Working capital of the corporation at the end of the year was \$6,354,018 compared with \$6,008,325 at the end of the previous year. The term note payable to the bank was reduced \$100,000. The ratio of current assets to current liabilities is 3.38 to 1 compared with 3.29 to 1 the previous year.

Merchandise inventories, including goods in transit, on January 31, 1950, were \$4,122,629 compared with \$3,755,984 the previous year.

Customers' Accounts Receivable on January 31, 1950, were \$549,483 higher than the previous year.

The corporation continued quarterly dividends at the rate of 40¢ per share and a dividend of the same amount was paid April 1, 1950.

During the past year, installation of a service elevator and two freight elevators in the Oakland Store was completed. The new building in Tacoma was completed and occupied on September 1. Two of the floors of this new building were assigned to selling purposes and the adjoining floors of the Annex Building were improved and converted to selling areas. During the coming year an additional floor in the Annex Building presently used for reserve stock will be modernized and used for selling purposes, and the adjoining fourth floor of the new building will likewise be added to selling area. Last fall the Portland Store's new beauty salon was completed, and is considered one of the finest and most modern on the Pacific Coast. In addition, it is planned to modernize certain selling areas in the stores through improvement of departmental layouts and acquisition of modern fixtures.

In accordance with the provisions of the corporation's Profit-Sharing Retirement Plan, the corporation contributed, for the past fiscal year, \$156,541 compared with \$163,206 the previous year. There are presently 757 employees participating in the Plan, which is over 95% of total eligible for its benefits.

Our appreciation is expressed to all of the employees of the corporation for their sincere and effective efforts during the past year.

For the Board of Directors
JOHN J. REILLY, *President*.

WESTERN DEPA
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BALANC

(See accompanying notes)

ASSETS

January 31

Current Assets:

	1950	1949
Cash in banks and on hand.....	\$ 1,044,288.45	\$ 1,671,369.24
Accounts receivable:		
Customers	\$ 3,929,480.05	\$ 3,379,997.47
Sundry	91,822.66	86,300.10
	\$ 4,021,302.71	\$ 3,466,297.57
Less—Allowance for doubtful accounts.....	165,681.63	268,879.46
	\$ 3,855,621.08	\$ 3,197,418.11
Inventories of merchandise:		
On hand, at or below cost, as determined by the retail inven-		
tory method	\$ 3,698,949.91	\$ 3,382,229.49
In transit, at cost.....	423,678.87	373,754.47
	\$ 4,122,628.78	\$ 3,755,983.96
Total current assets.....	\$ 9,022,538.31	\$ 8,624,771.31

Miscellaneous Investments, Deposits and Advances:

Store repairs and improvements, recoverable from lessor.....	\$ 135,758.18	
Investments (at cost) and insurance and other deposits.....	52,055.99	\$ 52,580.99
	\$ 187,814.17	\$ 52,580.99

Property Accounts, at cost:

Buildings, furniture and fixtures, etc.....	\$ 1,496,807.04	\$ 1,499,901.88
Leasehold and improvements to leased buildings.....	3,167,238.29	2,823,896.62
	\$ 4,664,045.33	\$ 4,323,798.50
Less—Accumulated depreciation and amortization.....	1,759,546.00	1,707,033.34
	\$ 2,904,499.33	\$ 2,616,765.16
Land	51,500.00	51,500.00
	\$ 2,955,999.33	\$ 2,668,265.16

Deferred Charges:

Unexpired insurance, prepaid taxes and other expenses.....	\$ 222,548.66	\$ 226,498.42
	\$12,388,900.47	\$11,572,115.88

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(Corporation)

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(to financial statements)

LIABILITIES

January 31-

1950

1949

Current Liabilities:

Accounts payable, trade.....	\$ 1,469,869.20	\$ 1,580,930.60
Payrolls, taxes and other accrued liabilities.....	771,322.33	833,970.97
Federal incomes taxes, estimated.....	927,328.32	901,544.11
Less—United States Treasury Savings Notes—Tax Series C...	(600,000.00)	(800,000.00)
Note payable to bank—installment due within one year (Note A)	100,000.00	100,000.00
Total current liabilities.....	\$ 2,668,519.85	\$ 2,616,445.68
Note Payable to Bank (due after one year) (Note A).....	\$ 1,300,000.00	\$ 1,400,000.00

Capital Stock and Surplus:

Capital stock:

Common stock, par value \$0.50 per share:

Authorized 600,000 shares

Issued 351,364 shares

Less—In treasury 5,000 shares

346,364 shares

\$ 175,682.00 \$ 175,682.00

Excess of par value of 6% cumulative convertible preferred stock over par value of common stock issued in exchange therefor

1,610,040.00

1,610,040.00

Stated capital

\$ 1,785,722.00

\$ 1,785,722.00

Paid-in surplus

\$ 240,350.00

\$ 240,350.00

Earned surplus since reorganization, April 8 1937 (Note A):

Appropriated for possible future decline of inventory values

\$ 500,000.00

\$ 500,000.00

Unappropriated, per accompanying statement.....

5,894,308.62

5,029,598.20

\$ 6,394,308.62

\$ 5,529,598.20

\$12,388,900.47

\$11,572,115.88

WESTERN DEPARTMENT STORES

STATEMENT OF PROFIT AND LOSS AND UNAPPROPRIATED EARNED SURPLUS

(See accompanying notes to financial statements)

	Year ended January 31	
	1950	1949
Net sales, including leased departments.....	\$29,510,114.70	\$29,730,870.60
Less—Sales of leased departments.....	4,185,834.91	4,523,818.57
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Cost of merchandise sold.....	\$25,324,279.79	\$25,207,052.03
	17,223,959.89	17,154,439.21
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Gross profit—own departments.....	\$ 8,100,319.90	\$ 8,052,612.82
Discounts on purchases.....	685,775.59	675,739.12
Gross income from leased departments.....	555,086.95	601,563.76
Other income and credits.....	188,186.15	137,509.05
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	\$ 9,529,368.59	\$ 9,467,424.75
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Selling, general and administrative expenses.....	\$ 6,964,340.21	\$ 6,875,761.08
Contribution under profit sharing retirement plan.....	156,541.31	163,206.05
Provision for depreciation and amortization.....	151,386.88	103,452.45
Interest expense	52,373.17	39,916.36
Other charges	21,113.88	6,493.98
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	\$ 7,345,755.45	\$ 7,188,829.92
	<hr/>	<hr/>
	\$ 2,183,613.14	\$ 2,278,594.83
Provision for estimated Federal income taxes.....	840,000.00	870,000.00
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Profit for year	\$ 1,343,613.14	\$ 1,408,594.83
Unappropriated earned surplus at beginning of year.....	5,029,598.20	4,175,044.97
Adjustments of provisions for bad debts, depreciation, etc., less re- lated additional taxes on income, applicable to prior years.....	75,142.08	
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	\$ 6,448,353.42	\$ 5,583,639.80
Dividends paid in cash, \$1.60 per share, each year.....	554,044.80	554,041.60
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Unappropriated earned surplus at end of year (accumu- lated since reorganization, April 8 1937) (Note A)	\$ 5,894,308.62	\$ 5,029,598.20
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WESTERN DEPARTMENT STORES

NOTES TO FINANCIAL STATEMENTS

Note A:

The note payable to bank is payable in annual instalments (on January 1) of \$100,000 in 1951, \$150,000 in 1952 and 1953, and \$200,000 in years 1954 to 1958, inclusive. The loan agreement with the bank provides that, without the prior written consent of the bank, the Company will not declare or pay any dividends except out of earnings subsequent to January 31 1947. The undistributed earned surplus since that date amounted to \$2,463,833.40. The Company also covenants that during the term of the loan it will not permit its net current assets to decline below \$3,000,000 or its ratio of current assets to current liabilities to be less than two to one.

Note B:

The Company is obligated under three leases expiring more than three years after January 31 1950. Two of the leases provide for rentals computed as a percentage of sales and one lease provides that the lessee shall pay a flat monthly rental plus real estate taxes in excess of a specified amount. The minimum annual rental obligation under such leases, and the total amount of rent and other charges paid thereunder, for the year ended January 31 1950, were \$445,000 and \$781,876.54, respectively.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

San Francisco
April 13 1950

To the Board of Directors of

WESTERN DEPARTMENT STORES:

In our opinion, the accompanying financial statements, together with the notes thereto, present fairly the position of Western Department Stores at January 31 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE, WATERHOUSE & Co.

1000